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August 28, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

SACRAMENTO UPDATE

State Budget Update

Sunday, August 31, 2008, is the final day of the 2007-2008 Legislative Session. According to the State Constitution, no bills may be passed after September 1, 2008 except for those that call for elections, provide for tax levies or appropriations, or contain urgency clauses. In addition, the Legislature may not present any bill to the Governor after November 15, 2008.

As legislators in both Houses continue to rush to consider hundreds of outstanding bills, no apparent progress has been made on the State Budget front. A significant number of bills passed by the Legislature are being held in their respective chambers because earlier in the month Governor Schwarzenegger threatened to veto any bills that reached his desk before the State Budget is approved. On Monday, however, the Governor sent a letter to the legislative leaders explaining that he will make an exception and approve high-speed rail bond clean-up legislation and a proposed water bond measure to allow these initiatives to be included on the November 4, 2008 General Election ballot. In his letter, the Governor also asked leaders to send him the proposals which would modernize the California lottery and implement several budget reforms. These two proposals, however, are part of budget negotiations and no agreement has been reached on either.

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Pursuit of County Position on Legislation

AB 1390 (Huffman), as amended on August 22, 2008, which would: 1) increase the mandatory diversion rate on local governments from 50 percent to 60 percent by 2015 and 75 percent by 2020; 2) increase the California Integrated Waste Management Board's (CIWMB) tipping fee from \$1.40 per ton to \$2.13 per ton effective January 1, 2010; 3) require each jurisdiction to adopt a mandatory commercial recycling ordinance by January 1, 2011; 4) designate "excess" green waste alternative daily cover (ADC) as disposal rather than diversion effective January 1, 2010; 5) allow local enforcement agencies to conduct illegal dumping enforcement and public education activities; and 6) establish a grant and loan program for illegal dumping and identify model illegal dumping programs and funding opportunities for such programs.

AB 1390 as amended, now includes provisions from three bills that recently stalled in the Legislature: **County-opposed AB 2640 (Huffman)**, AB 2866 (De León) and SB 1020 (Padilla). The Los Angeles County Solid Waste Committee/Integrated Waste Management Task Force opposed all three bills.

The increased tipping fees in AB 1390 would be directed to the following: 1) 25 percent of the revenue would be used for clean transportation fuel demonstration projects (thermal conversion technologies are specifically excluded from receiving funds); 2) 30 percent to further develop composting infrastructure, including direct grants to new or existing composting facilities; 3) 25 percent to a newly created Postclosure Trust Fund for landfill postclosure compliance failures; and 4) 20 percent to the CIWMB's general fund, growing to 100 percent by 2020.

The Department of Public Works (DPW) indicates that AB 1390 would significantly increase costs to local governments, increase the mandatory diversion rate and impose other mandates on local governments while simultaneously reducing the actual diversion rate of all local governments using green waste ADC. DPW indicates that the bill would increase the likelihood that the County and many cities in Los Angeles County will be subject to a fine of up to \$10,000 per day for failing to meet the State's increased waste reduction mandates, since the most cost effective and large impact waste reduction and recycling programs have already been implemented.

The Department of Public Works and this office oppose AB 1390. Opposition is consistent with existing policy to: 1) oppose AB 2640 (Huffman); 2) oppose the elimination of diversion credit for green waste ADC; 3) support greater flexibility in meeting the State's waste reduction mandate; and 4) support greater emphasis on program implementation rather than quantification of waste diversion. **Therefore, the Sacramento advocates will oppose AB 1390.**

There are no known supporters of the recently amended version of AB 1390. It is strongly opposed by the Los Angeles County Solid Waste Committee/Integrated Waste Management Task Force, the League of California Cities, the California State Association of Counties, the Solid Waste Association of North America and the Regional Council of Rural Counties. This measure is currently at the Senate Desk.

AB 2769 (Levine, Brownley and Davis), as amended on August 22, 2008, would: 1) prohibit a large supermarket or retail establishment from providing a single-use carryout bag to a customer unless the store charges a \$0.25 per bag fee, beginning January 1, 2010; 2) establish a transaction cap of \$2.00 which would sunset on January 1, 2014; 3) allow affected stores to retain a portion of the fee to cover their administrative cost and implement specified recycling and public education programs; 4) establish the Bag Pollution Cleanup Fund in the State Treasury; 5) require the State Resources Agency, the California Integrated Waste Management Board, and the State Department of Conservation to administer and enforce the single-use carryout bag provisions; 6) require the State Board of Equalization to administer the collection of the fees imposed on the bags; and 7) exempt all customers who participate in the Special Supplemental Food Program for Women, Infants, and Children (WIC) or the State Department of Social Services Food Stamp Program from paying the per-bag fee.

In addition, AB 2769 would: 1) redirect approximately 50 percent of the Bag Pollution Cleanup Fund to cities and counties on a per capita basis in the form of grants to reduce the environmental impact of single-use bags; 2) prohibit jurisdictions that ban the use of *all single-use carryout bags* from receiving the per capita grant funds; 3) restrict jurisdictions that ban *only plastic bags* to receiving 75 percent of their per capita share of grant funds; 4) redirect approximately 45 percent of the Bag Pollution Cleanup Fund to State agencies, local governments and non-profit organizations on a competitive basis to fund programs to mitigate the impacts of single-use carryout bags, including projects that encourage recycling of single-use carryout bags, cleanup and restoration activities, and public education programs; and 5) reserve 5 percent of the Bag Pollution Cleanup Fund for State program administration.

The bill defines retail establishments as having 10,000 square feet or more with a pharmacy. A carryout bag includes paper, plastic, and compostable/biodegradable bags. Of the \$0.25 fee, affected stores would be able to retain up to 10 cents for "green carryout bags", defined as paper bags with a minimum 40 percent recycled content, and up to 5 cents for all other bags. The remaining funds would be deposited into the Bag Pollution Cleanup Fund.

Because County-sponsored AB 2829 (Davis) and County co-sponsored AB 2058 (Levine, Brownley and Davis) both stalled in the Legislature, AB 2769 was amended

to keep the plastic bags legislation alive. Negotiations among the various stakeholders with various points of view and the Administration on this issue have been ongoing, and AB 2769 reflects a compromise on what most stakeholders agree is a viable bill.

However, similar to AB 2058, AB 2769 does not include all of the Board adopted policies on plastic bags, such as repeal of the provision of AB 2449 (Chapter 845, Statutes of 2006) that prevents local governments from charging fees on plastic bags, and the proposal to add an additional environmental awareness statement on plastic bags. Nevertheless, the Department of Public Works and this office are supportive of AB 2769 because it is consistent with the goals of the Board adopted policies to create a strong financial incentive for consumers to stop using single-use plastic carryout bags and to begin to use reusable bags to help the County meet water quality standards under the Federal Clean Water Act and State regulations, and to generally improve the environment. **Therefore, the Sacramento advocates will co-sponsor AB 2769.**

Co-sponsorship of AB 2769 is consistent with: 1) Board action of January 22, 2008 which adopted a legislative policy supporting legislation that implements a statewide fee on plastic carryout bags and directs funds raised toward local governments on a per-capita basis for litter prevention and source reduction efforts; 2) sponsorship of AB 2829; and 3) co-sponsorship of AB 2058.

Support and opposition to the recently amended version of AB 2769 is currently unknown. This measure is currently at the Senate Desk awaiting approval to move forward in the process.

SB 870 (Ridley-Thomas), as amended on August 22, 2008, would authorize the California Housing Finance Agency (CalHFA) to establish or operate a mortgage refinance program through resolutions adopted by its Board of Directors, rather than through promulgated rules and regulations, except when expressly required under law.

The Community Development Commission indicates that recent Federal Legislation, H.R. 3221, The Housing and Economic Recovery Act of 2008, included a one-time increase in the national allocation of tax-exempt bond capacity. This legislation allocated \$1.175 billion in additional bond capacity to California which can be used for: 1) refinancing sub-prime mortgages; 2) providing below market rate mortgages to first-time homebuyers; and 3) construction of multi-family rental properties.

This is the first time that Federal law has permitted the use of tax-exempt bonds for refinancing mortgages. In order to qualify for the refinance program, a borrower must have a sub-prime mortgage which was originated between 2002 and 2007 and that a bond issuer finds it likely that the mortgage payments will cause financial hardship to the borrower if the mortgage is not refinanced. The Community Development

Commission (CDC) indicates that existing law gives CalHFA authority to refinance mortgages; however, the agency has never used this authority because Federal law did not permit the use of tax-exempt bonds for this purpose. The authority to issue these bonds expires December 31, 2010, and the homebuyer mortgage funds must be spent within 12 months of the issue date.

The Community Development Commission further indicates that, according to CalHFA, the adoption of regulations could take from four to six months and would significantly delay any program to refinance mortgages. Under SB 870, CalHFA will be able to adopt program guidelines through a resolution adopted by its Board of Directors which would ensure that if CalHFA receives a portion of this bond capacity, and that it can move forward with a refinancing program expeditiously. According to CDC, most of the funds available in California will go to areas that have high foreclosure rates, and it is anticipated that three areas in the County, Los Angeles, Lancaster and Palmdale, will be eligible for CalHFA assistance because of the high concentration of foreclosures. The refinance program will not be available to everyone because borrowers would have to qualify for a new loan and meet any credit standards developed by CalHFA for the program. For the reasons cited above, the Community Development Commission and this office are supportive of SB 870. Therefore, consistent with Board policy to support legislation to address affordable housing needs on a multi-jurisdictional basis, **the Sacramento advocates will support SB 870.**

SB 870 is supported by the California Housing Finance Agency. There is no opposition on file. This measure is currently on the Assembly Floor awaiting a vote.

SB 1177 (Ridley-Thomas), as amended on August 15, 2008, would increase civil court filing fees by \$5 and raise the cap on the use of these fees for the Dispute Resolution Program from \$8 to \$13.

Current law grants each county board of supervisors the authority to establish a Dispute Resolution Program and to direct up to \$8 from civil court filing fees for its funding. The Community and Senior Services Department administers the County's Dispute Resolution Program through contracts with 14 non-profit organizations and government entities. The Dispute Resolution Program provides an alternative to more costly court proceedings in which a dispute is brought before a judge or a jury. Trained volunteers provide mediation, reconciliation, and arbitration services to assist individuals to resolve a variety of disputes including: personal injury, wrongful death, property damage, landlord-tenant, family, consumer-merchant, business, and neighbor conflicts. In FY 2006-07, the Dispute Resolution Program provided services to an estimated 54,000 individuals, businesses and organizations in the County.

The current \$8 cap on civil court filing fees for the Dispute Resolution Program has been in place since 1992. The County's Dispute Resolution Program is funded at \$3.4 million for FY 2008-09. SB 1177 would give the Board of Supervisors the authority at their discretion to increase the cap on fees to up to \$13 which would increase funding by approximately \$1.5 million annually.

The Community and Senior Services Department and this office are supportive of SB 1177. Therefore, consistent with existing Board policy to support proposals that maintain or increase funding for the Dispute Resolution Program, **the Sacramento advocates will support SB 1177.**

SB 1177 is sponsored by the California Dispute Resolution Council. There is no registered opposition to the bill. SB 1177 passed the Assembly Floor on August 25, 2008 by a vote of 41 to 31. The measure is currently awaiting a vote on the Senate Floor.

Status of County Advocacy Legislation

County-supported SB 375 (Steinberg), as amended on August 22, 2008, which would implement the land use portion of County-supported AB 32 (Pavley and Nuñez), the California Global Warming Solutions Act of 2006, and make numerous changes with respect to regional transportation and land use planning with the overall goal of reducing transportation sector greenhouse gas emissions in California, passed the Assembly Floor on August 25, 2008, by a vote of 49 to 22, and now proceeds to the Senate for concurrence in Assembly amendments.

Key provisions of SB 375 require the larger regional transportation agencies, such as the Southern California Association of Governments (SCAG), to limit greenhouse gas emissions by developing more sophisticated transportation planning as part of their regional plans for creating a "sustainable communities strategy". The bill offers local governments regulatory and financial incentives to encourage more compact development and transportation alternatives. The three major areas addressed in the bill are transportation planning, housing planning, and California Environmental Quality Act (CEQA) reform.

For transportation planning, the California Air Resources Board (CARB) will set regional greenhouse gas reduction targets after consultation with local governments. That target must be incorporated within that region's Regional Transportation Plan (RTP), which is the long-term blueprint of a region's transportation system. The resulting model will be called the Sustainable Communities Strategy (SCS). With respect to housing planning, each region's Regional Housing Needs Assessment (RHNA), which is the State mandated process for local jurisdictions to address their fair share of regional housing

needs, will be adjusted to align with the land use plan in that region's SCS Strategy in its RTP. This will account for greenhouse gas reduction targets. For CEQA reform, environmental review will create incentives to implement the strategy, especially transit priority projects.

SB 375 has been a "work in progress" from the start, reflected by the 12 times the bill has been amended since introduction. Throughout this process, stakeholders have been asked to provide comments on proposed amendments. The Department of Regional Planning was an active participant in the stakeholder process and provided comments to the author through the California State Association of Counties. Many of Regional Planning's recommendations found their way into the bill.

Although Regional Planning believes that the bill could be improved further through technical amendments to certain sections of the bill, such as a provision which requires the housing element portion of the annual report to be considered at a public meeting instead of before the Planning Commission to allow the public to provide oral and written testimony, the department is still supportive of the current version of SB 375 and indicates that the bill does not erode local land use decision making authority. Therefore, the County will continue to support SB 375.

County-supported SB 732 (Steinberg), as amended on August 22, 2008, would enact provisions to develop and implement several competitive grant programs funded under the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Bond Protection Bond Act of 2006 (Proposition 84). Recent amendments delete provisions related to nature education facilities and museums, Statewide water planning and the Sustainable Communities Council, and instead would establish the Strategic Growth Council to manage and award Proposition 84 funds for planning grants and planning incentives (\$90 million), and urban greening projects (\$90 million). The bill was amended again on August 22, 2008 to expand the definition of a regional blueprint plan, and add a reporting requirement and an additional consideration for funding an urban greening project.

SB 732 would create the Strategic Growth Council (Council), consisting of the Director of the California Office of Planning and Research, the Secretary of the Resources Agency, the Secretary of Environmental Protection, the Secretary of Business, Transportation and Housing, the Secretary of California Health and Human Services, and one member of the public appointed by the Governor. The Council would: 1) take certain actions with regard to coordinating programs of member State agencies; 2) recommend policies and investment strategies to the Governor, Legislature, and appropriate State agencies to encourage the development of sustainable communities; 3) provide, fund, and distribute data and information to local governments and regional agencies that will assist in developing and planning sustainable communities; and 4) manage and award grants to local government and regional agencies.

In addition, SB 732 would appropriate \$500,000 in Proposition 84 bond funds from the planning grants and planning incentives, and the urban greening projects allocations to the California Resources Agency to support the Council and its activities. The Council may: 1) develop evaluation guidelines, eligibility criteria, and additional considerations for awarding funds and minimum requirements and priorities for a project or plan proposal; 2) specify criteria for determining the amount of financial assistance; 3) provide for payments of interest, repayment periods and recovery of funds, 4) provide technical assistance for application preparation; 6) designate a State agency or department to administer technical and financial assistance; and 7) provide an annual report to the Legislature on grant status by July 1, 2010.

Other key provisions of SB 732 would direct the Council to support the planning and development of sustainable communities by awarding grants and loans to: 1) prepare, adopt and implement a general plan or general plan element designed to reduce greenhouse gas emissions, promote water conservation, reduce automobile use and fuel consumption, encourage greater infill and compact development, protect natural resources and agricultural lands, and revitalize urban and community centers; 2) develop, adopt and implement a regional plan or other planning instrument consistent with a regional plan that improves air and water quality, improves natural resource protection, increases the availability of affordable housing, improves transportation, meets the goals of AB 32 (Pavley and Nuñez), the California Global Warming Solutions Act of 2006 and encourage sustainable land use; and 3) prepare, plan and implement urban greening projects that provide multiple benefits, including a decrease in air and water pollution, a reduction in the consumption of natural resources and energy, and an increase in the reliability of local water supplies.

The Departments of Regional Planning, Beaches and Harbors, and Parks and Recreation indicate that SB 732 would provide opportunities to seek grant funding under Proposition 84 for related County land use plans and urban greening projects. The Department of Regional Planning indicates the County is entering the final stages of adoption of its General Plan update and the Draft General Plan and it has paid particular attention to the very issues that are outlined in SB 732 that would qualify for funding. In addition, SB 732 provides the necessary funding to support the State mandated planning activities of local government required by County-supported SB 375 (Steinberg). The Departments of Beaches and Harbors, and Parks and Recreation also indicate that SB 732 would make competitive grant funding available for multi-purpose urban greening projects to establish and enhance local parks, open space, urban trails, outdoor demonstration gardens, and for the greening of existing public lands and structures. The departments and this office remain supportive of SB 732. The bill passed the Assembly Floor by a vote of 45 to 28 on August 28, 2008 and now returns to the Senate for concurrence.

County Exhibit at State Fair

For the second consecutive year, the County's exhibit at the California State Fair has received the Gold Ribbon Award. The exhibit will be on display at the Cal Expo in Sacramento through September 1, 2008. The exhibit will then be moved to the Los Angeles County Fair in Pomona and will be on display from September 5, 2008 to September 28, 2008. Themed "Los Angeles County: Movie Capital of the World," the exhibit was created by the Public Affairs Office, and it focuses on the importance of the movie industry on the County's economy, tourism, and filming at the County facilities and locales. The exhibit consists of movies about County departments (*Baywatch*, *Emergency*, *North Mission Road*, *Academy*, *Gridiron Gang*) and photos from actual movie shoots at the County Arboretum since 1926. It also includes short profiles on celebrities who have played an important role in County activities. The exhibit has been very popular with fairgoers who line up to take photos with a life-size figure of Lou "The Hulk" Ferrigno, who is also shown life-size in his Sheriff's reserve deputy uniform. The County's six major movie production studios assisted with the exhibit by providing movie trailers, posters, and allow the use of their logos. FilmLA, Inc. provided a long list of movie shoots throughout the County, which is scrolled on a television screen.

We will continue to keep you advised.

WTF:GK:ML
MR:IGA:hg

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
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City Managers Associations